Xiamen Gulong Food Co Ltd & Anor v H&L Retail Sdn Bhd

HIGH COURT (KUCHING) — SUIT NO KCH-22IP-2/10 OF 2014
RHODZARIAH BUJANG J
13 MAY 2015

Civil Procedure — Costs — Security for — Discretion of court — Whether necessary to order security for costs

Civil Procedure — Summary judgment — Application for — Whether application should be allowed — Triable issues — Whether there were triable issues — Whether statement of claim as it stood reflected actual situation — Locus standi — Whether second plaintiff had locus standi to commence action — Whether second plaintiff could represent foreign company to commence suit — Affidavit — Whether second plaintiff authorised to affirm affidavit on behalf of first plaintiff — Whether affidavit filed out of time — Whether safe to rely on affidavit evidence of first plaintiff's director

At all material times the first plaintiff was a company from China that was in the business of canned food productions bearing the 'Gulong' trademark while the second plaintiff was the first plaintiff's sole distributor for the East Malaysian states of Sabah and Sarawak. The plaintiffs claimed that the defendant had infringed their trademark by selling Gulung canned food products ('the infringed products') at their retail stores in the East Malaysian states without their consent. According to the plaintiffs, the infringed products were identified by a label which indicated that they were only to be sold in West Malaysia. The plaintiffs thus filed an action for permanent injunctions to basically stop the defendant from continuing with the sale of the infringed products in their stores as such unauthorised sale had caused them to suffer losses and put the second plaintiff's reputation and business at risk. In addition, the plaintiffs had filed the present application for summary judgment for the injunctions prayed for in its statement of claim and other reliefs, namely the delivery and destruction of the infringed products and an enquiry as to damages suffered by reason of the alleged wrongful acts. The defendant objected to the application by raising the issue that the second plaintiff had no locus standi to commence and maintain this suit because it was neither the registered owner nor the registered user of the Gulung trademark. The defendant also objected to the director of the second plaintiff having the right to affirm the affidavit for and on behalf of the first plaintiff. It was also the defendant's contention that issues such as whether Gulung was the first plaintiff's trademark, whether the second plaintiff was the first plaintiff's sole distributor and whether the defendant had imported the infringed products

were all triable issues, which disentitled the plaintiffs from obtaining summary judgment. The defendant also filed an application for the first plaintiff to give security for costs. In response the plaintiffs submitted that the defence of the defendant consisted merely of denials and putting the plaintiffs to strict proof of their claim, which should therefore be taken as an admission of the claim and thereby entitling the plaintiffs to judgment.

Held, dismissing the summary judgment application and the application for security for costs with each party to bear its own costs of their applications:

(1) The first plaintiff through its director, one Mr Hong Yuan Xiang ('Hong'), had deposed in his affidavit that the director of the second plaintiff was authorised to affirm the affidavit for and on behalf of the first plaintiff in this action. However, Hong's affidavit was filed out of time without the leave of the court or the consent of the defendant for the said affidavit to be considered. Further, it would be totally unsafe to rely on Hong's affidavit in the Chinese character, which was without the seal or signature of the notary public (see para 3).

(2) The defendant's objection to the second plaintiff representing the first plaintiff, a foreign company, to commence legal action in the Malaysian court was not fatal to the application for summary judgment because the party claiming ownership of the trademark was already before the court. In addition, the first plaintiff was suing in its own name and not through the second plaintiff (see paras 6 & 8).

(3) The defendant had supported its argument that the second plaintiff had no locus standi to commence this action by drawing the court's attention to the dealership agreement, which was signed between the second plaintiff and one Xiamen Gulong Export and Import Co Ltd and not the first plaintiff. The plaintiffs were never alerted to the objection on the difference in the names and would probably have had a good explanation as to why the first plaintiff and not the company named in the dealership was suing as the first plaintiff (see paras 3 & 9).

(4) Based on an examination of the statement of claim and the affidavit in support, the plaintiffs' cause of action was not in respect of the infringement of its trademark but rather of the defendant selling its products without obtaining the same from the second plaintiff, ie the authorised dealer for the products in Sarawak. In the circumstances, the first plaintiff need not even be a party to the action, for the damage and injury in this case was to the second plaintiff, who is the sole distributor for the products in Sabah and Sarawak. However, the statement of claim as it stood did not reflect the actual situation or dispute between the parties, which was the selling of the first plaintiff's products that were not for distribution in Sarawak or by not obtaining the same from the

authorised dealer in Sarawak. On that defect alone the plaintiffs were not entitled to the summary judgment they had prayed for (see paras 10 & 12).

(5) The defendant's application for security for costs was not necessary because the first plaintiff was not the sole plaintiff in this action for its co-plaintiff was a local company that could be made liable to pay the costs of the defendant. In any case, it was the second plaintiff that was actually the aggrieved party in this case. Further, ordering security for costs was a discretion of the court (see para 13).

[Bahasa Malaysia summary

Pada semua masa material plaintif pertama adalah sebuah syarikat dari China dan dalam perniagaan pengeluaran makanan dalam tin yang mengandungi tanda dagangan 'Gulong' manakala plaintif kedua merupakan pengedar tunggal plaintif pertama untuk negeri-negeri di Malaysia Timur iaitu Sabah dan Sarawak. Plaintif mendakwa defendan-defendan telah melanggar tanda dagangan mereka dengan menjual produk makanan dalam tin Gulung ('produk yang melanggar') di kedai-kedai runcit mereka di negeri-negeri di Malaysia Timur tanpa persetujuan mereka. Menurut plaintif-plaintif, produk yang melanggar dikenal pasti menerusi satu label yang menunjukkan bahawa mereka hanya akan dijual di Malaysia Barat. Plaintif-plaintif dengan itu memfailkan tindakan untuk injunksi kekal yang pada dasarnya menghalang defendan daripada meneruskan dengan penjualan produk yang melanggar di kedai-kedai mereka kerana penjualan yang tidak dibenarkan itu telah menyebabkan mereka mengalami kerugian dan meletakkan reputasi dan perniagaan plaintif kedua kepada risiko. Tambahan pula, plaintif telah memfailkan permohonan ini untuk penghakiman terus untuk injunksi yang dipohon dalam pernyataan tuntutannya dan relif-relif lain, iaitu penghantaran dan pemusnahan produk-produk yang melanggar dan siasatan tentang ganti rugi yang dialami disebabkan perbuatan salah yang didakwa. Defendan membantah permohonan tersebut dengan menimbulkan isu bahawa plaintif kedua tidak mempunyai locus standi untuk memulakan dan mengekalkan guaman ini kerana plaintif kedua bukanlah pemunya berdaftar mahupun pengguna berdaftar cap dagangan Gulung tersebut. Defendan juga membantah pengarah plaintif kedua mempunyai hak untuk mengesahkan afidavit untuk dan bagi pihak plaintif pertama. Defendan juga menghujah bahawa isu-isu seperti sama ada Gulung adalah tanda dagangan plaintif pertama, sama ada plaintif kedua merupakan pengedar tunggal plaintif pertama dan sama ada defendan telah mengimport produk yang melanggar adalah semua isu yang boleh dibicarakan, yang menghalang plaintif-plaintif daripada mendapatkan penghakiman terus. Defendan juga memfailkan permohonan untuk plaintif pertama untuk memberi jaminan kos. Sebagai tindak balas plaintif berhujah bahawa pembelaan defendan hanyalah terdiri daripada penafian semata-mata dan meletakkan plaintif kepada bukti ketat

tuntutan mereka yang dengan itu perlu diambil sebagai pengakuan tuntutan dan oleh itu melayakkan plaintif untuk penghakiman.

Diputuskan, menolak permohonan penghakiman terus dan permohonan untuk jaminan kos dengan setiap pihak perlu menanggung kos permohonan mereka sendiri:

(1) Plaintif pertama melalui pengarahnya, Mr Hong Yuan Xiang ('Hong'), telah mendeposkan dalam afidavitnya bahawa pengarah plaintif kedua telah diberi kuasa untuk mengesahkan afidavit untuk dan bagi pihak plaintif pertama dalam tindakan ini. Walau bagaimanapun, afidavit Hong telah difailkan di luar tempoh tanpa kebenaran mahkamah atau persetujuan defendan untuk afidavit tersebut dipertimbangkan. Seterusnya, adalah tidak selamat sama sekali untuk bergantung kepada afidavit Hong dalam tulisan Cina, yang tanpa meterai atau tandatangan notari awam (lihat perenggan 3).

(2) Bantahan defendan kepada plaintif kedua mewakili plaintif pertama, sebuah syarikat asing, untuk mengambil tindakan undang-undang di mahkamah Malaysia tidak menjejaskan permohonan untuk penghakiman terus kerana pihak yang mendakwa milikan tanda dagangan sudah dihadapkan ke mahkamah. Di samping itu, plaintif pertama mendakwa dalam namanya sendiri dan bukannya menerusi plaintif kedua (lihat perenggan 6 & 8).

(3) Defendan telah menyokong hujahnya bahawa plaintif kedua tidak mempunyai locus standi untuk memulakan tindakan ini dengan menarik perhatian mahkamah kepada perjanjian pengedaran yang ditandatangani di antara plaintif kedua dan Xiamen Gulong Eksport dan Import Co Ltd dan bukannya plaintif pertama. Plaintif-plaintif tidak pernah dimaklumkan mengenai bantahan ke atas perbezaan dalam nama-nama dan mungkin mempunyai penjelasan yang baik tentang mengapa plaintif pertama dan bukannya syarikat yang dinamakan dalam pengedaran yang menyaman sebagai plaintif pertama (lihat perenggan 3 & 9).

(4) Berdasarkan pemeriksaan penyata tuntutan dan afidavit sokongan, kausa tindakan plaintif bukanlah berkenaan pelanggaran cap dagang tetapi defendan menjual produknya tanpa mendapat kebenaran daripada plaintif kedua, iaitu peniaga yang diberi kuasa untuk produk-produk di Sarawak. Dalam keadaan ini, plaintif pertama tidak perlu menjadi pihak kepada tindakan tersebut, kerana kerosakan dan kecederaan dalam kes ini adalah untuk plaintif kedua, yang merupakan pengedar tunggal bagi produk-produk di Sabah dan Sarawak. Walau bagaimanapun, penyata tuntutan seperti yang dikemukakan tidak mencerminkan keadaan atau pertikaian sebenar antara pihak-pihak iaitu jualan produk-produk plaintif pertama yang bukannya untuk diedarkan di Sarawak atau

dengan tidak mendapatkan hak pengedaran daripada peniaga yang diberi kuasa di Sarawak. Disebabkan kecacatan itu sahaja, plaintif tidak berhak untuk penghakiman terus yang dipohon mereka (lihat perenggan 10 & 12).

(5) Permohonan defendan untuk jaminan kos adalah tidak perlu kerana plaintif pertama bukanlah plaintif tunggal dalam tindakan ini kerana plaintif bersama adalah sebuah syarikat tempatan yang boleh bertanggungan untuk membayar kos defendan. Dalam mana-mana kes, plaintif kedua yang sebenarnya merupakan pihak yang terkilan dalam kes ini. Selanjutnya, arahan untuk jaminan kos adalah budi bicara mahkamah (lihat perenggan 13).]

Notes

For cases on application for summary judgment, see 2(5) *Mallal's Digest* (5th Ed, 2015) paras 9344–9421.

For cases on security for costs, see 2(2) *Mallal's Digest* (5th Ed, 2015) paras 2661–2724.

Cases referred to

Adarsh Pandit v Viking Engineering Sdn Bhd [1998] 2 AMR 1009 (refd)
Huo Heng Oil Co (EM) Sdn Bhd v Tang Tiew Yong [1987] 1 MLJ 139 (refd)
Kasturi Palm Products v Palmax Industries Sdn Bhd [1986] 2 MLJ 310 (refd)
Lek Swee Hua & Anor v American Express International Inc [1991] 2 MLJ 151, HC (refd)

Legislation referred to

Rules of Court 2012 O 32 r 13(2)(d)
Trade Marks Act 1976 s 38

Christopher Chew Gia Sien (Yong & Wong Advocates) for the plaintiff.
Siew Chen Fui (Awang Chua Voon Ting & Ronald & Co Advocates) for the defendant.

Rhodzariah Bujang J:

[1] The first plaintiff is a company from China in the business of canned food productions under the brand name derived from its own name, Gulong. The second plaintiff is its authorised sole distributor for Sabah and Sarawak. The 'Gulong' trademark is registered under class 29 (basically for canned food) in Malaysia and given the registration No 09015781 which is valid from 11 September 2009 to 11 September 2019. The first plaintiff's appointed distributor for the West Malaysian states is Makmur Malaya Sdn Bhd. By this action, the plaintiffs have claimed that the defendant has infringed their trademark by selling 'Gulong' canned products at their retail store or business

premises in the East Malaysian states without their consent and/or permission. The infringed products are identified by the label 'MY2' which indicates that they are only to be sold in West Malaysia only. Those sold in East Malaysia bear the label 'MY1'.

[2] The plaintiffs claimed that such unauthorised sale of the said infringed products by the defendant have caused them to suffer losses and put the second plaintiff's reputation and business at risk since the latter is the sole authorised distributor for the said Gulong products here. The plaintiffs have filed an action for permanent injunctions, couched in five different terms but to basically stop the defendant from continuing with their alleged and so called infringement of their said products. They have also filed a summary judgment application for the exact same injunctive prayers and the other reliefs prayed therein ie, the delivery and destruction of the infringed products and an enquiry as to damages suffered by reason of the alleged wrongful acts. The facts I outlined above are in the statement of claim and affidavit in support to that application filed by the second plaintiff's director, Mr Kong Ket Dee.

[3] The defendant in objecting to the said application raised, in the affidavit in opposition of its Managing Director, Mr Bong Fook Kin, that Mr Kong Ket Dee has no authority to affirm the said affidavit and the second plaintiff, not being its registered owner nor registered user of the Gulong trademark has no locus standi to commence and maintain this suit against it. He deposed that whether 'Gulong' is the indeed the first plaintiff's trademark, the second plaintiff its sole authorised dealer and whether the defendant had imported the infringed products are all triable issues. He also took objection to the fact that the Mr Kong Ket Dee had in his affidavit (as well as in the plaintiffs' reply to the statement of defence) referred to the states where the alleged infringement took place as 'East Coast of Malaysia', 'States of Sabah and Sarawak' whereas in the statement of claim it was East Malaysia, Sabah and Sarawak but which Mr Kong Ket Dee in his affidavit in reply admitted was a mistake — it should be stated as in the statement of claim. It is also because of these terms of reference used by him to describe the state in Malaysia that I had used the same reference in the opening of this judgment although the description is not politically correct. I would, given that explanation, accept that the misstatement was an error and deemed it corrected. I do note however, and took judicial notice of the fact that at one stage of the history of our nation, Sabah and Sarawak were referred to East Malaysia and the states in the Malay Peninsular as West Malaysia until those references were changed to Peninsular Malaysia and Sabah and Sarawak, in present times. There is simply no reason to deny summary judgment on account of that misstatement as the other facts pleaded and deposed to make it clear the place of the alleged infringement was Sarawak. As for his authority to affirm the affidavits, the first plaintiff through its director, one Mr Hong Yuan Xiang has deposed in his affidavit affirmed on

6 February 2015 that Mr Kong Et Dee has been authorised by him to act for him and/or the first plaintiff in this action. If I accept that averment it would clothe Mr Kong Ket Dee with the authority to affirm the affidavit but the defendant has raised in the further affidavit in opposition of Mr Bong Fook Kin affirmed on 26 February 2015 that the said affidavit was served out of time which of course the plaintiffs denied, citing O 32 r 13(2)(d) of the Rules of Court 2012 which gives a twenty one days period for a deponent out of Malaysia to file and serve an affidavit in reply. I noted that the affidavit Mr Hong Yuan Xiang was replying to was affirmed on 23 January 2015 and clearly, without even considering the service date since no affidavit of service was e-filed, the filing of it on 17 February 2015 was out of time. Since it was filed out of time without leave of the court or the consent of the defendant, the affidavit should not be considered. Further, the said affidavit was without the seal or signature of the notary public, stated as Xiamen Lujang Notary Public Office before whom it was signed in China. For these reasons, I would have to agree that it would be totally unsafe to rely on the said affidavit. However, in spite all these, I would still proceed to consider the merits of the application.

THE DEFENCE

[4] Mr Christopher Chew, for the plaintiffs in his written submission pointed out that the defence of the defendant consists merely of denials and putting the plaintiffs to strict proof of the claim and it should therefore be taken as an admission of the claim, thereby entitling the plaintiff to judgment, citing *Huo Heng Oil Co (EM) Sdn Bhd v Tang Tiew Yong* [1987] 1 MLJ 139 where Chong Siew Fai J (as His Lordship then was) said as follows:

> Indeed, if a defendant by his statement of defence simply 'puts the plaintiff to proof of the several allegations in their statement of claim' the defendant will be taken as admitting the claims alleged in the statement of claim and the plaintiff would be entitled to judgment without adducing any evidence in support of his case ...
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> In opposing the application for summary judgment, the respondent must satisfy the court that with respect to the applicant's claim there is an issue or question in dispute which ought to be tried or that there ought for some other reason to be a trial of that claim (O 26A r 3(1) of the Rules of Court 2012). But this cannot be achieved by raising facts which do not constitute a defence to the claim ... nor by a mere general denial of indebtedness ... Likewise, the expression 'the defendant puts the plaintiff to proof' is insufficient traverse.

[5] Further he submitted, the defendant has admitted selling the infringed products in their premises.

[6] On the other hand, Mr Siew Chen Fui for the defendant submitted that there are three triable issues which disentitled the plaintiffs from obtaining summary judgment and these I have mentioned earlier but reiterate below:

(a) Whether the 2nd plaintiff has locus standi to commence and maintain this suit? A

(b) Whether the 2nd plaintiff can represent the 1st plaintiff (which is a foreign company) to commence legal action in the Malaysian Court?

(c) Whether the deponent has the right to affirm the affidavit for and on behalf of the 1st plaintiff. B

[7] I have in my discussion above gave my thoughts on issue (c) and would still abide by the same but for the sake of completeness I also wish to add that indeed the signing of the affidavit in Chinese character without the jurat has thrown into doubt the deponent's understanding of what had been deposed. C

[8] As for issue (b), it is to be noted that the first plaintiff is suing in its own name and not through the second plaintiff. Therefore, the defendant's argument that the letter of authorisation by XIAMEN GULONG IMP & EXP CO LTD exhibited as KT1 to the affidavit in support of the application is from an entity different from the first plaintiff is not fatal to the application for summary judgment because the party claiming ownership of the trademark is already before the court. D E

[9] As for the second plaintiff's locus standi to commence this action, again Mr Siew Chen Fui has drawn my attention to the fact that the dealership agreement (exh K2 to the same affidavit in support of Mr Kong Ket Dee) was signed between one Xiamen Gulong Export and Import Co Ltd and the second plaintiff; not the first plaintiff ie Xiamen Gulong Food Co Ltd. Therefore, he said the second plaintiff does not have the locus standi to sue in this action. I noted that the difference in names were raised only for the first time in the submission of Mr Siew Chen Fui for in the first affidavit in opposition filed by Mr Bong Fook Kin on 7 January 2015 he merely said the said dealership agreement is not admissible as evidence, the very same thing he said of exh K1 earlier. The plaintiffs were therefore never alerted to the objection on the difference in the names and would probably have a good explanation on why it is Xiamen Gulong Food Co Ltd who is suing as the first plaintiff and not that named company in the dealership agreement. F G H

[10] Nonetheless, I have this reason why I think summary judgment is not an order which I should grant in this case and that is because from my examination of the statement of claim and the affidavit in support of it, the plaintiff's cause of action is not, with respect an infringement of its trademark but rather of the defendant selling its products without obtaining the same from its authorised dealer in Sarawak. I

[11] Infringement as defined by s 38 of the Trade Marks Act 1976 is as

follows:

> (1)(a) A registered trade mark is infringed by a person who, not being the registered proprietor of the trade mark or registered user of the trade mark using by way of permitted use, uses a mark which is identical with it or so nearly resembling it as is likely to deceive or cause confusion in the course of trade in relation to goods or services in respect of which the trade mark is registered in such a manner as to render the use of the mark likely to be taken (a) as being use as a trade mark.
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> (1)(b) In a case in which the use is use upon the goods or in physical relation thereto or in an advertising circular, or other advertisement, issued to the public, as importing a reference to a person having the right either as registered proprietor or as registered user to use the trade mark or to goods with which the person is connected in the course of trade, or
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> (1)(c) In a case in which the use is use at or near the place where the services are available or performed or in an advertising circular or other advertisement issued to the public, as importing a reference to a person having a right either as registered proprietor or as registered user to use the trade mark or to services with the provision of which the person is connected in the course of trade.

[12] What the defendant was alleged to have done was to sell the plaintiff's products which have been labeled 'MY2' which are for distribution in Peninsular Malaysia only — not Sarawak (or Sabah for that matter) — not that they have come up with their own product similar in content and appearance with that of the first plaintiff's registered trademark. In fact, the first plaintiff need not even be a party to the action, for the damage or injury here is to the second plaintiff who is its sole distributor for Sabah and Sarawak. In this given circumstance, it is my view that the statement of claim as it stands does not reflect the actual situation or dispute between the parties which is the selling of the first plaintiff's product by the defendant which were not obtained from its authorised dealer and on that defect alone the plaintiffs are not entitled to the summary judgment they prayed for.

SECURITY FOR COSTS

[13] As for the application by the defendant for the first plaintiff to give security for cost, my brief reasoning on it is this — it is not necessary because the first plaintiff is not the sole plaintiff in this action for its co-plaintiff is a local company who can be made liable to pay costs of the defendant and as I said earlier, on the pleaded facts it was the second plaintiff who was is actually the aggrieved party here-not so much the first plaintiff. Indeed Mr Kong Ket Dee of the second plaintiff has taken it upon himself to depose the affidavit to oppose the defendant's application for security for cost and citing the same reason given for affirming the affidavits in support of the summary judgment that he has been authorised by the first plaintiff to do so. Further, as the plaintiff's counsel rightly pointed out, citing, inter alia, *Kasturi Palm Products v Palmax Industries Sdn Bhd* [1986] 2 MLJ 310, ordering security for cost is a

discretion of the court and one of the factors to be considered, held the court in *Adarsh Pandit v Viking Engineering Sdn Bhd* [1998] 2 AMR 1009, is if there was a co-plaintiff and where there is one, as in the case of *Lek Swee Hua & Anor v American Express International Inc* [1991] 2 MLJ 151, no such order was made.

[14] Thus, I would also dismiss the application for security for cost as I did the summary judgment application and in so deciding, I would order that each party bear their own costs of their applications.

Summary judgment application and application for security for costs dismissed with each party to bear its own costs of their applications.

Reported by Kohila Nesan